



*Advising the Congress on Medicare issues*

# MIPPA Update: Durable Medical Equipment Competitive Bidding

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# DME in brief

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- \$8.6 billion in fiscal year 2007
- Many small suppliers
- Indications prices in fee schedule too high
- OIG found error rate of 29 percent in sample of 2006 claims
- Fraud persistent problem
- Competitive bidding proposed to:
  - Improve pricing
  - Deter fraud

# Competitive bidding for DME

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- Demonstration 1999 – 2002
  - Prices dropped by 17 to 22 percent
  - No significant quality or access problems
  - MedPAC recommended expansion into the Medicare program—conditional on results of final evaluation
- Program 2008 –
  - MMA required phased in competitive bidding for DME
  - Round 1, 2008—10 Metropolitan Statistical Areas (MSAs)
  - Round 2, 2009—70 additional MSAs

# Round 1 (10 MSAs) results

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- Over 6,000 bids submitted
  - 1,345 contracts 325 different suppliers
- Suppliers without a contract not eligible for Medicare DME payments
- Single payment rate for each item in MSA
- CMS estimated average 26 percent savings from fee schedule prices
- Savings varied by DME category, MSA
- Contracts went into effect July 1, 2008

# Industry concerns about competition

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- Estimated 4,500 suppliers in 10 MSAs—only 325 won contracts
- Lower prices—lower quality, financial distress
- Implementation problems:
  - Automated system difficulties
  - Financial stability disqualifications
  - Calculation of capacity and prices
- Contracts awarded to out-of-area suppliers and suppliers without experience in category

# Response to concerns

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- Significant savings for Medicare and beneficiaries
- More safeguards than current program:
  - Accreditation
  - Quality
  - Financial stability
- Reduced opportunity for fraud and abuse
- Winners worked through process, were willing to supply DME under new rules, stated any problems could be rectified without delay



# Medicare Improvements for Patients and Providers Act of 2008 (MIPPA)

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- Terminated contracts awarded in round 1
- Delayed competitive bidding program
  - Round 1 in 2009
  - Round 2 in 2011
- Fee schedules amounts for competed items reduced by 9.5 percent nationwide (budget neutral to cost of delay)

# Additional MIPPA changes

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- OIG verification of pivotal bid and single payment amounts
- Feedback on missing financial documentation
- Accreditation and disclosure of subcontractors
- Exclusion of certain complex wheelchairs and off-the-shelf orthotics from competition
- Regulatory notice and comment to use information from competitive bidding to set rates in other areas
- Suppliers required to stock multiple types of diabetes test strips
- Others